

## **EXHIBIT B**

FEDERAL RESERVE SYSTEM

Lloyds TSB Offshore Limited  
St. Helier, Jersey

Order Approving Establishment of a Representative Office

Lloyds TSB Offshore Limited (“Bank”), St. Helier, Jersey, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Miami, Florida. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in Miami, Florida (*The Miami Herald*, March 21, 2005). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately \$12 billion,<sup>1</sup> is one of the largest banks in Jersey. Bank provides a range of financial services to corporate and retail clients and is authorized to provide such services to residents of Jersey.<sup>2</sup> Outside Jersey, Bank operates branches in Guernsey and the Isle of Man and a representative office in Hong Kong. The proposed representative office would be Bank’s first office in the United States. Bank is an indirect wholly

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<sup>1</sup> Unless otherwise indicated, data are as of June 30, 2005.

<sup>2</sup> Bank does not operate under an “offshore banking license,” as that term is defined in section 312(a)(4)(A) of the USA PATRIOT Act of 2001 (31 U.S.C. § 5318(i)(4)(A)).

owned subsidiary of Lloyds TSB Bank, plc (“Lloyds UK”), London, England.<sup>3</sup> Lloyds UK is the principal wholly owned bank subsidiary of Lloyds TSB Group plc, also of London (“Lloyds Group”), which is Bank’s ultimate parent.<sup>4</sup> Through its offices and subsidiaries, Lloyds UK offers banking services in a number of countries worldwide. In the United States, Lloyds UK operates a branch in New York, New York, and an agency in Miami, Florida, and owns several U.S. subsidiaries that engage in nonbanking activities.

The proposed representative office would act as a liaison between Bank and its existing and potential customers in the United States. The office’s activities would include soliciting new business, providing information to customers concerning their accounts with Bank, and maintaining client data and records.

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a representative office, the Board shall take into account whether (1) the foreign bank has furnished the information the Board needs to assess the application adequately; (2) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States; and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their home country supervisors (12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2)).<sup>5</sup> The Board also

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<sup>3</sup> Lloyds UK holds its interest in Bank through two other wholly owned subsidiaries, Lloyds TSB Offshore Holdings Limited, a Jersey company, and Lloyds Bank Subsidiaries Limited, a U.K. company.

<sup>4</sup> No shareholder holds more than 5 percent of Lloyds Group’s shares.

<sup>5</sup> In assessing the supervision standard, the Board considers, among other factors, the extent to which the home country supervisors: (i) ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide; (ii) obtain information on the condition of the bank and its

may take into account additional standards set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)). The Board will consider that the supervision standard has been met if it determines that the applicant bank is subject to a supervisory framework that is consistent with the activities of the proposed representative office, taking into account the nature of such activities.<sup>6</sup> This is a lesser standard than the comprehensive, consolidated supervision standard applicable to proposals to establish branch or agency offices of a foreign bank. The Board considers the lesser standard sufficient for approval of representative office applications because representative offices may not engage in banking activities (12 CFR 211.24(d)(2)). This application has been considered under the lesser standard.

As noted above, Bank and Lloyds UK engage directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

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subsidiaries and offices through regular examination reports, audit reports, or otherwise; (iii) obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic; (iv) receive from the bank financial reports that are consolidated on a worldwide basis or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive, consolidated supervision. No single factor is essential, and other elements may inform the Board's determination.

<sup>6</sup> See, e.g., Jamaica National Building Society, 88 Federal Reserve Bulletin 59 (2002); RHEINHYP Rheinische Hypothekenbank AG, 87 Federal Reserve Bulletin 558 (2001); see also Promstroybank of Russia, 82 Federal Reserve Bulletin 599 (1996); Komercni Banka, a.s., 82 Federal Reserve Bulletin 597 (1996); Commercial Bank "Ion Tiriac," S.A., 82 Federal Reserve Bulletin 592 (1996).

The Jersey Financial Services Commission (“Jersey FSC”) is the primary regulatory and supervisory authority for Jersey banks and, as such, is the home country supervisor of Bank.<sup>7</sup> Jersey FSC policy permits only banking groups of “international stature and reputation” that it has determined to be subject to satisfactory consolidated supervision by the supervisory body of the group’s country of origin to establish banks in Jersey. The Jersey FSC performs on-site inspections and off-site monitoring of all Jersey banks, including monitoring the work of external auditors. The Jersey FSC uses on-site reviews to focus on the adequacy of policies and procedures designed to combat money laundering and the bank’s management of information systems and internal procedures to determine whether the bank is adequately managing its principal risks. The frequency of on-site reviews depends on the bank’s risk profile, but all Jersey banks, including Bank, are inspected at least once every two years.

Off-site supervision consists primarily of the review of periodic financial reports submitted by Bank, including quarterly prudential returns, large exposure reports, suspicious transaction reports, and annual financial statements. External auditors are required to confirm that returns have been prepared in accordance with reporting instructions issued by the Jersey FSC. In addition, Bank’s internal auditors conduct periodic risk-based audits of Bank’s business activities.

Jersey law authorizes the Jersey FSC to conduct investigations, to request and receive information from any bank and its domestic and foreign affiliates, and to impose conditions on licensees and revoke licenses, and provides penalties for violations of the law.

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<sup>7</sup> The Jersey FSC is responsible for the direct oversight of Bank. The U.K. Financial Services Authority, as the supervisor of Lloyds UK and its subsidiaries, consults with the Jersey FSC about supervision of Bank.

Based on all the facts of record, it has been determined that Bank is subject to a supervisory framework that is consistent with the activities of the proposed representative office, taking into account the nature of such activities.

With respect to supervision of Lloyds UK by home country authorities, the Board previously has determined, in connection with other applications involving banks in the United Kingdom, that those banks were subject to home country supervision on a consolidated basis.<sup>8</sup> Lloyds UK is supervised by the Financial Services Authority (“FSA”) on substantially the same terms and conditions as those other banks. Based on all the facts of record, it has been determined that Lloyds UK is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The additional standards set forth in section 7 of the IBA and Regulation K (see 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)) have also been taken into account. The FSA and the Jersey FSC have no objection to the establishment of the proposed representative office.

With respect to the financial and managerial resources of Bank, taking into consideration Bank’s record of operations in its home country, its overall financial resources, and its standing with its home country supervisor, financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed representative office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

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<sup>8</sup> See Barclays plc, 91 Federal Reserve Bulletin 48 (2005); HBOS Treasury Services plc, 90 Federal Reserve Bulletin 103 (2004); The Royal Bank of Scotland Group, 90 Federal Reserve Bulletin 87 (2004).

Jersey is a member of the Offshore Group of Banking Supervisors, which is an observer organization to the Financial Action Task Force (“FATF”), and subscribes to the FATF’s recommendations regarding measures to combat money laundering and international terrorism. In accordance with these recommendations, Jersey has enacted laws and created legislative and regulatory standards to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in Jersey, and financial services businesses are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering. Bank has policies and procedures to comply with these laws and regulations, and these policies and procedures are monitored by the Jersey FSC.

With respect to access to information on Bank’s operations, the restrictions on disclosure in relevant jurisdictions in which Bank operates have been reviewed, and relevant government authorities have been communicated with regarding access to information. Bank and Lloyds Group have committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Bank and Lloyds Group have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, the Jersey FSC may share information on Bank’s operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, it has been determined that Bank and Lloyds Group have provided adequate assurances of access to any necessary information that the Board may request.

Based on the foregoing and all the facts of record, Bank's application to establish a representative office is hereby approved.<sup>9</sup> Should any restrictions on access to information on the operations or activities of Bank or its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank and Lloyds Group with the conditions imposed in this order and the commitments made to the Board in connection with this application.<sup>10</sup> For purposes of this action, these commitments and conditions are deemed to be conditions imposed by the Board in writing in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board, effective November 1, 2005.

*(signed)*

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>9</sup> Approved by the Director of the Division of Banking Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.

<sup>10</sup> The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of Florida to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Florida or its agent, the Florida Department of Financial Services ("Department"), to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.